



Smile For Life

Business Report for the 70th Term

(from April 1, 2003 to March 31, 2004)



SINANEN



To Our Shareholders:

We will Maximize Customer Satisfaction as a Provider of Comfortable Living

Teruo Hattori
President and CEO

● Promoting invigoration of existing channels and development of new channels under today's severe economic environment

First, let me explain the recent circumstances surrounding the energy business, which is our core segment. In the international oil market, crude oil prices remained at the higher levels of \$30 to \$32 per barrel as a result of supply-and-demand factors, such as low stock levels in the United States. In particular, the U.S. war in Iraq has had a major impact on oil prices with the deteriorating security situation, the delayed recovery in oil exports, and acts of terrorism in countries adjacent to Iraq, specifically Saudi Arabia. The price of liquefied petroleum gas (LPG) is also increasing. Nevertheless, in Japan, the market price has been leveling off because of a substantial decrease in demand caused by a cool summer and warm winter.

As noted above, the Sinanen Group (hereinafter, "the Group") was forced to operate in a severe environment during the fiscal year ended March 31, 2004.

Under the circumstances, the Group has forged ahead with profit generation through promotion of an enhanced and expanded retail system; invigoration of the existing wholesale channels, including more than 150 kerosene depots in Japan; and development of new marketing channels. As a result of these efforts, consolidated net sales for this year totaled ¥175,645 million (a decrease of 1.8% compared with the previous fiscal year, hereinafter the same,) operating income of ¥3,834 million (a decrease of 2.6%,) ordinary income of ¥4,324

million (a decrease of 6.8%,) and net income of ¥2,158 million (an increase of 47.3%). Despite the 1.8% decrease in sales, Sinanen (hereinafter, "the Company") achieved a remarkable 47.3% increase in net income compared with the previous fiscal year.

● Successful Progress of Plan 236, the Ongoing Mid-term Management Plan

Plan 236, the mid-term management plan, targets the fiscal years 2003 through 2007 and is currently underway. The Group operates in an intensely competitive market, where the competition consists of new entrants not only from the same industry but also from different segments, as well as the burgeoning competition from electrical and city gas energy. Consequently, to achieve a significant increase in profit, the Group cannot depend only on the wholesale business.

Plan 236 is a five-year plan for identifying changes in the operating environment ahead of the competition in order to take an early lead in implementing major transformations in the profit structure. The plan, which has shifted to the Year 2 phase, is progressing successfully. In particular, affiliated retailers and employees have developed a better understanding of the plan with the expectation that the plan will yield results.



● **Himawari (Sunflower) Plan to Create Business Opportunities Through Close Contact with Customers**

The Group is strengthening the partnerships with distributors and promoting a program called the Himawari (Sunflower) Plan, which proposes a variety of solutions, in order to provide customers with deeper satisfaction in the Company's role as a "provider of comfortable living." Specifically, the Company will create new business not just as a gas supplier but as a life advisor by increasing the opportunities to communicate with customers and identifying their diverse wants and needs. For example, the Company will develop novel products that enhance consumer lifestyles by focusing on elements ranging from support for an aging society to hygienic control and will promote effective recycling activities for environmental preservation. Based on the Himawari (Sunflower) Plan as the core of the program, the Company will continue to provide the valuable services that reflect the interests of consumers in all business aspects through an enhanced network of distributors.

● **Development of New Business Segments Centered on Environmental Preservation as a 21st Century Energy Company**

The Company will also focus on popularization of new environmentally friendly energy sources. In the biomass segment, the Company intends to build a biomass-fuel manufacturing factory that converts wood building rubble into solid fuels in Chiba Prefecture during the first half of fiscal 2004. In the fuel-cell segment, the hydrogen station for fuel-cell vehicles in Sagami-hara City, Kanagawa Prefecture started operation in April 2004. In the future, the Company is planning to open hydrogen stations across Japan. In addition, the Company already handles stationary fuel-cells, which are being demonstrated at several places in Japan.

The development of new business areas concentrating on environmental preservation is the corporate duty for energy companies in the 21st century—and the Company intends to aggressively focus on this area.

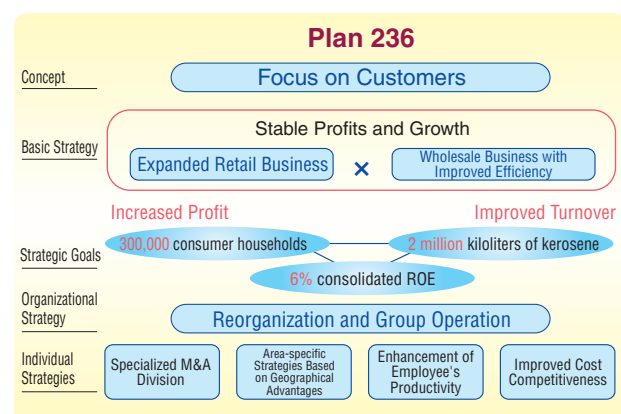
● **All-out Efforts Based on M&A to Achieve Our Goal**

Plan 236 targets the following group goals: kerosene sales of 2 million kiloliters, direct sales of LP gas to 300,000 households and consolidated ROE (Return on Equity) of 6%. While the achievement of corporate goals is driven by M&A, we seek your understanding that the amortization period of five years after the commencement of M&A will not immediately yield profits.

● **Improved Financial Structure**

During FY2003, the Group successfully achieved improvement in the financial structure, which was the top priority of the Group. As a result, the dividends per share will be increased from ¥9 for the previous fiscal year to ¥12.

As a whole, the Group will continue to stress improved performance in the hope that shareholders will support the long-term vision of the Company.



Consolidated Review of Operations

Energy Products Business

Oil Products Division

During FY2003, the oil products division experienced a combination of factors that increased crude oil prices: OPEC's decision to decrease output, the lowered stock level of oil in the United States, and a sudden surge in demand for oil in China. In 2004, this resulted in high oil prices for the first time in 13 years. On the other hand, the Japanese market, affected by a cool summer and warm winter, experienced major stagnation. This placed the oil industry in a situation where it was difficult to generate profits because of end user prices unable to accommodate the increase in oil prices.



Kerosene Center Hadanonakai Sales Office

Under the circumstances, the oil products division worked toward expanding supply points and improving the net operations of kerosene depots across Japan and promoted the shared use of facilities with other companies to make efficient use of them. While the division also devoted its energies to promotion of selling oil other than kerosene and acquiring new customers, this unfortunately resulted in sales of ¥125,051 million, a 1.9% decrease compared with the previous fiscal year.

It is probable that, in the year ending March 31, 2005 and afterward, energy-to-energy competition will heat up and that the petroleum oil industry will experience a shakeout and restructuring of many distribution phases. To address this situation, the Group will diversify suppliers and reduce distribution expenses for greater cost competitiveness and will analyze the efficiency of kerosene depots for further improvement of operations.



Kerosene Tank Sagamihara Sales Office

LPG Division

In FY2003, the LPG division experienced relatively high gas prices compared with the average year, which were the result of a steep rise in crude oil prices in July 2003. In this situation, the Japanese market saw gradually decreasing selling prices caused by energy-to-energy competition and continued difficulty in obtaining margins.



Gas Exhibition Gifu Sales Office

LPG division aggressively promoted buyouts of LPG operation goodwill and the development of consumers to strengthen the retail system. With these efforts, the Company acquired more than 20,000 new households as customers. In addition, for the purpose of building a strong and reliable relationship with customers, the Company pushed forward with the Himawari (Sunflower) Plan, as well as other programs in many places, to enhance communication with consumers and demonstrate the comfort provided by gas. Such programs included gas exhibitions, a program to demonstrate gas equipment, and a mail order program for gas equipment. These efforts resulted in sales of ¥36,649 million, an increase of 2.0% compared with the previous fiscal year.

Nevertheless, in the year ending March 31, 2005 and afterward, sales of LP gas for home use are expected to stay flat and energy-to-energy competition will heat up. Companies that can survive this situation are those that can withstand price competition and develop new demand.

Under the circumstances, the Group will continue to introduce resources to acquire additional consumers and promote high value-added services that strengthen the relationship with consumers and popularize the Himawari (Sunflower) Gas brand. Furthermore, the Company plans to consolidate the retail divisions in the Kanto area in order to strengthen the retail business of our group and pursue a synergy effect. Through these activities, the Company plans to set up a dominant LPG retail company with a consumer base of more than 120,000 households.



Solid Fuel Division

Total shipments of charcoal briquettes and pea coals in Japan were almost the same as for the previous year in spite of the warm winter; the cool summer created brisk demand for them in summer. The selling prices at hardware stores, which act as an index of market conditions, were almost the same as for the previous year.

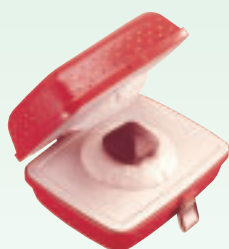


Instant charcoal briquettes easy to ignite with the flick of a match



"Himawari gas"

Under the circumstances, the solid fuel division tried to expand marketing channels and ship products before the high-demand period by giving top priority to sales volume. These efforts, however, resulted in sales of ¥1,041 million, a decrease of 14.5% compared with the previous year. It is expected that, in the fiscal year ending March 31, 2005 and afterward, demand for charcoal briquettes and pea coals will decrease and manufacturing costs will increase because of high-priced material coal. Under the circumstances, the Group merged Ishinen Co., Ltd. and Tochigi Briquette Co., Ltd., which manufactured solid fuels, to improve productivity. In addition, the Company will continue to expand sales channels.



Shinagawa foot warmer retains heat for 24 hours with a piece of pea coal



High-calorie coal that reuses filtered coffee

Housing Equipment Division

In fiscal 2003, the number of houses constructed or under construction was 1.17 million, which was the first increase (an increase of 2.5% compared with the previous year) in four years. The shipment of gas equipment was almost the same as for the previous year in terms of volume but increased of 6% compared with the previous year in amount because the shipments of advanced products increased in number.

Under the circumstances, the Company conducted specific programs to make the Group more widely known as a provider of comfortable living. The campaigns are completely region specific and include the "Gas Is Best!!" campaign conducted together with Itochu Enex Co., Ltd. and the "HOT Gift" campaign conducted by the Group. In addition, water purifiers were rented and sold the fiscal year ended March 31, 2004, to promote rapport with consumers, achieving an accumulated sales volume of 50,000 units. Total sales, however, decreased 1.0%, compared with the previous fiscal year, to ¥9,723 million.

In the year ending March 31, 2005 and afterward, demand for the remodeling of existing houses is expected to increase. The Group will also focus efforts on providing remodeling services for the bath, kitchen, and washroom. In addition, the Company will continue the "Gas Is Best!!" campaign to increase consumer awareness and confidence in the Company.



Scene from a "HOT Gift" campaign conducted by the Gifu sales office.



Exhibition presented at the Watari sales office, Sinanen Tohoku Co., Ltd.



Consolidated Review of Operations

Non-energy Business

Antimicrobial Agent Division



Ag+ Sprays



Ag+ Adhesive Plasters

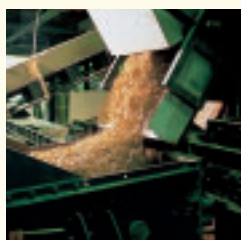
The antimicrobial agent division faces a tough economic climate in the industry, which makes manufacturers examine cost reductions. This situation is creating a tendency to reduce the amounts of additives and, consequently, unit prices are

falling. In this situation, antimicrobial agent suppliers in general are facing an uphill battle, and it is expected that this climate will continue for some time.

Under the circumstances, the division has been aggressively promoting *Zeomic*, which provides both antimicrobial and deodorizing effects, aimed at the textile, spray product, and hygienic material segments, and *Zeomighty*, an antimicrobial agent for concrete, aimed at the drainage ditch segment. Both products are available in the markets in Europe and North America through AgION Technologies, Inc., and the Company intends to sell them in the Korean, Chinese, Thai, and other Southeast Asian markets as well.

Environment Division

The environmental industry has been affected by the RPS law (RPS = Renewables Portfolio Standard; a law that requires the adoption of renewable energy sources,) which led to the



Wood Chips

planning of electrical generating facilities based on new energies, including biomass, in many places.

Under the circumstances, the division focused its energies on building environmental circulation recycling business to cover sales of recycling fuels.

Sales of ¥3,180 million for the non-energy segment represented a decrease of 29.3% compared with the previous fiscal year.

Rollout of New Energies

The energy industry is experiencing intense energy-to-energy competition and is directly addressing new energies in synchronization with



Photovoltaic Power System

environmental issues. Under the circumstances, the Group is making every effort to provide the best mix of energies considering the variety of consumer needs for energy. To this end, the Company will also aggressively work on developing the new energy sources.



Fuel Battery for Home Use

As part of group efforts, the Company started selling photovoltaic power systems beginning this year. In addition, demonstration tests have been started for fuel batteries for home and commercial use. Furthermore, our hydrogen station, established in Kanagawa Prefecture, is designed to supply hydrogen to fuel-battery cars, the next generation of low-emission vehicles. This center started operations in April 2004 and will begin the full-scale demonstration test phase. In the first term of fiscal 2004, the Company intends to implement a factory,

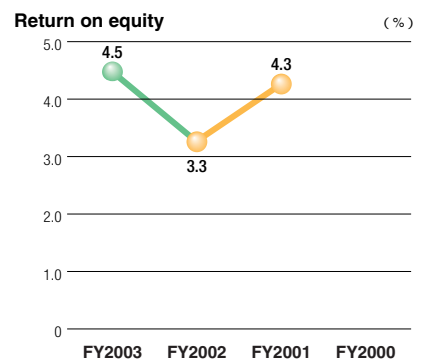
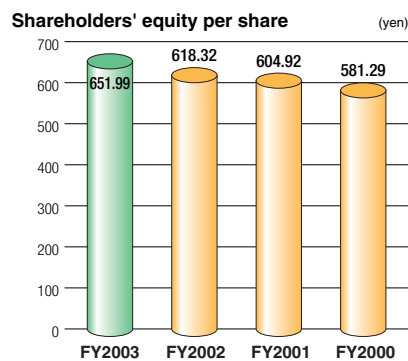
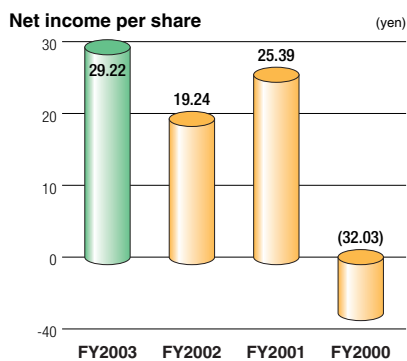
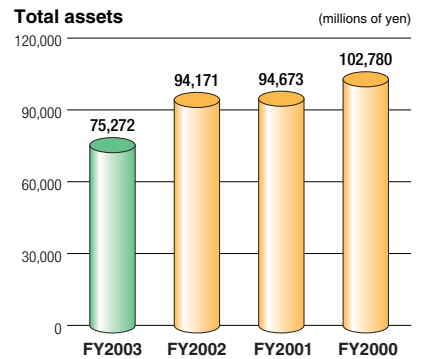
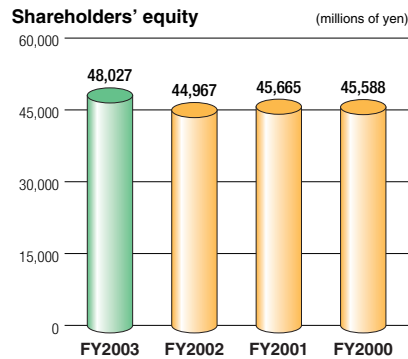
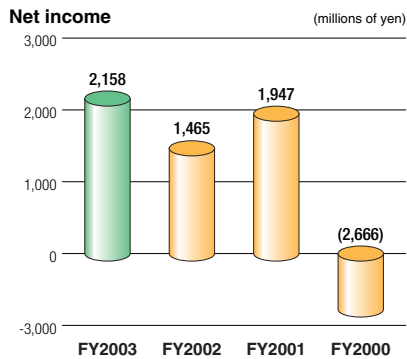
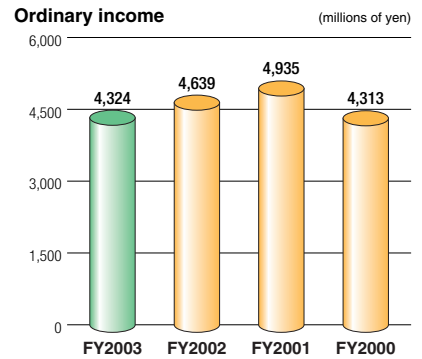
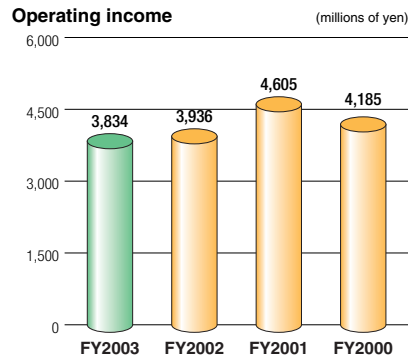
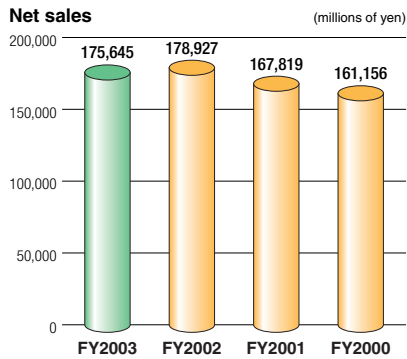


Sagamihara Hydrogen Station

manufacturing biomass fuel using wooden construction waste in Chiba Prefecture.



Consolidated Financial Highlights



Consolidated Financial Statements

Consolidated Balance Sheets

| (As of March 31) | 2004 | 2003 | 2004 | (As of March 31) | 2004 | 2003 | 2004 |
|-------------------------------------|-----------------|---------------|--------------------------|---|-----------------|----------------|--------------------------|
| | Millions of yen | | Thousands of U.S.dollars | | Millions of yen | | Thousands of U.S.dollars |
| (Assets) | | | | (Liabilities) | | | |
| Current assets | | | | Current liabilities | | | |
| Cash and deposits | 11,656 | 10,338 | 110,285 | Trade notes and accounts payable | 14,569 | 16,207 | 137,847 |
| Trade notes and accounts receivable | 21,422 | 23,293 | 202,687 | Short-term bank borrowings | 184 | 3,142 | 1,741 |
| Marketable securities | 2,299 | 1,421 | 21,752 | Bonds and debentures due within one year | — | 10,000 | — |
| Inventories | 2,441 | 2,507 | 23,096 | Accounts payable—other | 1,753 | 2,089 | 16,586 |
| Deferred tax assets | 1,713 | 2,175 | 16,208 | Income taxes payable | 339 | 289 | 3,207 |
| Other current assets | 449 | 2,949 | 4,248 | Consumption taxes payable | 619 | 512 | 5,857 |
| Allowance for doubtful accounts | (126) | (120) | (1,192) | Reserve for bonuses | 550 | 527 | 5,204 |
| Total current assets | 39,855 | 42,566 | 377,093 | Allowance for loss on business reorganization | — | 2,641 | — |
| | | | | Other current liabilities | 1,038 | 1,156 | 9,821 |
| Fixed assets | | | | Total current liabilities | 19,054 | 36,566 | 180,282 |
| Tangible fixed assets | 24,162 | 42,488 | 228,612 | Long-term liabilities | | | |
| Buildings and structures | 6,591 | 7,022 | 62,362 | Long-term debt | 1,028 | 4,058 | 9,727 |
| Buildings and structures in trust | — | 16,840 | — | Deferred tax liabilities | 1,992 | 528 | 18,848 |
| Machinery, equipment and vehicles | 2,950 | 3,161 | 27,912 | Accrued retirement benefits | 3,702 | 4,026 | 35,027 |
| Land | 14,493 | 15,311 | 137,127 | Long-term deposits | 1,026 | 2,923 | 9,708 |
| Land in trust | — | 0 | — | Other long-term liabilities | 400 | 339 | 3,785 |
| Construction in progress | 3 | 7 | 28 | Total long-term liabilities | 8,152 | 11,876 | 77,131 |
| Other tangible fixed assets | 123 | 145 | 1,164 | Total liabilities | 27,206 | 48,443 | 257,413 |
| Intangible assets | 700 | 842 | 6,623 | (Minority interests in consolidated subsidiaries) | | | |
| Consolidation goodwill | 455 | 576 | 4,305 | Minority interests | 38 | 759 | 360 |
| Other intangible assets | 245 | 266 | 2,318 | (Shareholders' equity) | | | |
| Investments and other assets | 10,552 | 8,273 | 99,839 | Common stock | 15,630 | 15,630 | 147,885 |
| Investments in securities | 5,294 | 3,261 | 50,090 | Capital surplus | 11,912 | 11,861 | 112,707 |
| Long-term loans | 171 | 821 | 1,618 | Retained earnings | 20,120 | 18,596 | 190,368 |
| Long-term prepaid expenses | 3,793 | 2,612 | 35,888 | Unrealized gains on other securities | 1,312 | 198 | 12,414 |
| Deferred tax assets | 277 | 303 | 2,621 | Translation adjustments | — | 0 | — |
| Other investments and other assets | 1,359 | 1,834 | 12,858 | Treasury stock, at cost | (947) | (1,319) | (8,960) |
| Allowance for doubtful accounts | (343) | (558) | (3,245) | Total shareholders' equity | 48,027 | 44,967 | 454,414 |
| Total fixed assets | 35,416 | 51,605 | 335,093 | Total liabilities, minority interests and shareholders' equity | 75,272 | 94,171 | 712,196 |
| Total assets | 75,272 | 94,171 | 712,196 | | | | |

Note: U.S. dollar amounts presented here and elsewhere in this business report are translated from yen at ¥105.69 = U.S. \$1.00, the rate of exchange on March 31, 2004.



Consolidated Statements of Income

| (Years ended March 31) | 2004 | | 2003 | | 2004 |
|---|-----------------|-----------------------|-----------------|-----------------------|--------------------------|
| | Millions of yen | Composition ratio (%) | Millions of yen | Composition ratio (%) | Thousands of U.S.dollars |
| Net sales | 175,645 | 100.0 | 178,927 | 100.0 | 1,661,889 |
| Cost of sales | 147,542 | 84.0 | 151,036 | 84.4 | 1,395,988 |
| Gross profit | 28,103 | 16.0 | 27,891 | 15.6 | 265,900 |
| Selling, general and administrative expenses | 24,268 | 13.8 | 23,954 | 13.4 | 229,615 |
| Operating income | 3,834 | 2.2 | 3,936 | 2.2 | 36,276 |
| Non-operating income | 814 | 0.5 | 1,271 | 0.7 | 7,702 |
| Interest and dividend income | 161 | | 267 | | 1,523 |
| Light-oil delivery tax grant | 146 | | 155 | | 1,381 |
| Futures income | — | | 376 | | — |
| Equity in earnings of affiliates | 0 | | 0 | | 0 |
| Other non-operating income | 505 | | 472 | | 4,778 |
| Non-operating expenses | 325 | 0.2 | 568 | 0.3 | 3,075 |
| Interest expense | 153 | | 405 | | 1,448 |
| Provision for allowance for doubtful accounts | 4 | | 29 | | 38 |
| Other non-operating expenses | 166 | | 133 | | 1,571 |
| Ordinary income | 4,324 | 2.5 | 4,639 | 2.6 | 40,912 |
| Extraordinary income | 1,225 | 0.7 | 3,463 | 1.9 | 11,591 |
| Gain on sales of fixed assets | 1,073 | | 879 | | 10,152 |
| Reversal of accrued retirement benefits | — | | 2,025 | | — |
| Gain on sales of investment securities | — | | 70 | | — |
| Indemnity of expropriation | 152 | | 487 | | 1,438 |
| Extraordinary expenses | 1,523 | 0.9 | 4,717 | 2.6 | 14,410 |
| Loss on sales of fixed assets | 912 | | 16 | | 8,629 |
| Loss on disposal of fixed assets | 395 | | 384 | | 3,737 |
| Directors' retirement allowance | 31 | | 218 | | 293 |
| Expenses related to acquisition of business | — | | 235 | | — |
| Loss on sales of investment securities | — | | 192 | | — |
| Loss on valuation of investment securities | 40 | | 786 | | 378 |
| Provision for loss on business reorganization | — | | 2,641 | | — |
| Expenses related to oil spill | 142 | | 135 | | 1,344 |
| Loss on valuation of golf memberships | — | | 4 | | — |
| Other extraordinary expenses | 0 | | 102 | | 0 |
| Income before income taxes | 4,026 | 2.3 | 3,385 | 1.9 | 38,093 |
| Income taxes | | | | | |
| Current | 559 | 0.3 | 664 | 0.4 | 5,289 |
| Deferred | 1,239 | 0.7 | 997 | 0.6 | 11,723 |
| Minority interests | 68 | 0.1 | 258 | 0.1 | 643 |
| Net income | 2,158 | 1.2 | 1,465 | 0.8 | 20,418 |

Consolidated Statements of Retained Earnings

| (Years ended March 31) | 2004 | 2003 | 2004 |
|--|-----------------|---------------|--------------------------|
| | Millions of yen | | Thousands of U.S.dollars |
| (Capital surplus) | | | |
| Capital surplus, balance at beginning of year | 11,861 | 11,861 | 112,224 |
| Increase in capital surplus | 50 | — | 473 |
| Gain on disposal of treasury stock | 50 | — | 473 |
| Balance at end of year | 11,912 | 11,861 | 112,707 |
| (Retained earnings) | | | |
| Retained earnings at beginnings of year | 18,596 | 17,846 | 175,949 |
| Increase in retained earnings | 2,207 | 1,468 | 20,882 |
| Net income | 2,158 | 1,465 | 20,418 |
| Increase in retained earnings due to increase in consolidated subsidiaries | — | 2 | — |
| Increase in retained earnings due to decrease in consolidated subsidiaries | 48 | — | 454 |
| Decrease in retained earnings | 683 | 717 | 6,462 |
| Cash dividends | 654 | 679 | 6,188 |
| Directors' bonuses | 29 | 38 | 274 |
| Balance at end of year | 20,120 | 18,596 | 190,368 |

Consolidated Statements of Cash Flows

| (Years ended March 31) | 2004 | 2003 | 2004 |
|--|-----------------|---------|--------------------------|
| | Millions of yen | | Thousands of U.S.dollars |
| Net cash provided by operating activities | 3,776 | 202 | 35,727 |
| Net cash provided by (used in) investing activities | 16,450 | (821) | 155,644 |
| Net cash used in financing activities | (16,876) | (1,989) | (159,675) |
| Effect of exchange rate changes on cash and cash equivalents | (32) | (27) | (303) |
| Net increase (decrease) in cash and cash equivalents | 3,317 | (2,636) | 31,384 |
| Cash and cash equivalents at beginning of year | 9,631 | 12,268 | 91,125 |
| Cash and cash equivalents at end of year | 12,949 | 9,631 | 122,519 |

 Non-consolidated Financial Statements

Non-consolidated Balance Sheets

| (As of March 31) | 2004 | 2003 | 2004 |
|---|-----------------|----------------|--------------------------|
| | Millions of yen | | Thousands of U.S.dollars |
| (Assets) | | | |
| Current assets | | | |
| Cash and deposits | 8,676 | 6,773 | 82,089 |
| Trade notes | 1,467 | 1,708 | 13,880 |
| Accounts receivable | 17,339 | 18,995 | 164,055 |
| Marketable securities | 2,299 | 1,421 | 21,752 |
| Merchandise | 1,475 | 1,580 | 13,956 |
| Other current assets | 3,973 | 6,833 | 37,591 |
| Total current assets | 35,232 | 37,312 | 333,352 |
| Fixed assets | | | |
| Tangible fixed assets | 19,982 | 38,257 | 189,062 |
| Buildings | 3,881 | 4,125 | 36,721 |
| Buildings in trust | — | 16,580 | — |
| Land | 12,870 | 13,743 | 121,771 |
| Other property, plant and equipment | 3,230 | 3,807 | 30,561 |
| Intangible assets | 210 | 227 | 1,987 |
| Investments and other securities | 11,010 | 8,626 | 104,173 |
| Investments in securities | 5,218 | 2,912 | 49,371 |
| Other investments and other securities | 5,792 | 5,713 | 54,802 |
| Total fixed assets | 31,204 | 47,110 | 295,241 |
| Total assets | 66,436 | 84,423 | 628,593 |
| (Liabilities) | | | |
| Current liabilities | | | |
| Trade accounts payable | 13,342 | 14,645 | 126,237 |
| Short-term bank borrowings | — | 2,900 | — |
| Bonds and debentures due within one year | — | 10,000 | — |
| Other current liabilities | 3,526 | 6,340 | 33,362 |
| Total current liabilities | 16,869 | 33,885 | 159,608 |
| Long-term liabilities | | | |
| Long-term debt | 500 | 3,500 | 4,731 |
| Other long-term liabilities | 5,517 | 6,077 | 52,200 |
| Total long-term liabilities | 6,017 | 9,577 | 56,931 |
| Total liabilities | 22,886 | 43,463 | 216,539 |
| (Shareholders' equity) | | | |
| Common stock | 15,630 | 15,630 | 147,885 |
| Capital surplus | 11,912 | 11,861 | 112,707 |
| Additional paid-in capital | 3,907 | 3,907 | 36,967 |
| Other capital surplus | 8,005 | 7,953 | 75,740 |
| Retained earnings | 15,653 | 14,598 | 148,103 |
| Voluntary reserves | 13,168 | 11,813 | 124,591 |
| Unappropriated retained earnings at end of the year | 2,485 | 2,784 | 23,512 |
| Unrealized gains on other securities | 1,301 | 190 | 12,310 |
| Treasury stock, at cost | (947) | (1,319) | (8,960) |
| Total shareholders' equity | 43,549 | 40,960 | 412,045 |
| Total liabilities and shareholders' equity | 66,436 | 84,423 | 628,593 |

Non-consolidated Statements of Income

| (Years ended March 31) | 2004 | | 2003 | | 2004 |
|---|-----------------|-----------------------|-----------------|-----------------------|--------------------------|
| | Millions of yen | Composition ratio (%) | Millions of yen | Composition ratio (%) | Thousands of U.S.dollars |
| Net sales | 154,755 | 100.0 | 158,502 | 100.0 | 1,464,235 |
| Cost of sales | 137,951 | 89.1 | 141,643 | 89.4 | 1,305,242 |
| Gross profit | 16,804 | 10.9 | 16,858 | 10.6 | 158,993 |
| Selling, general and administrative expenses | 14,095 | 9.2 | 14,041 | 8.8 | 133,362 |
| Operating income | 2,708 | 1.7 | 2,817 | 1.8 | 25,622 |
| Non-operating income | 848 | 0.6 | 1,283 | 0.8 | 8,023 |
| Interest and dividend income | 286 | | 385 | | 2,706 |
| Other non-operating income | 562 | | 897 | | 5,317 |
| Non-operating expenses | 330 | 0.2 | 575 | 0.4 | 3,122 |
| Interest expense | 150 | | 404 | | 1,419 |
| Other non-operating expenses | 179 | | 170 | | 1,694 |
| Ordinary income | 3,226 | 2.1 | 3,525 | 2.2 | 30,523 |
| Extraordinary income | 1,203 | 0.8 | 1,761 | 1.1 | 11,382 |
| Gain on sales of fixed assets | 1,070 | | 25 | | 10,124 |
| Reversal of accrued retirement benefits | — | | 1,642 | | — |
| Other extraordinary income | 132 | | 93 | | 1,249 |
| Extraordinary expenses | 1,451 | 1.0 | 4,223 | 2.6 | 13,729 |
| Loss on sales of fixed assets | 910 | | 15 | | 8,610 |
| Loss on disposal of fixed assets | 353 | | 284 | | 3,340 |
| Provision for loss on business reorganization | — | | 2,641 | | — |
| Other extraordinary expenses | 187 | | 1,283 | | 1,769 |
| Income before income taxes | 2,978 | 1.9 | 1,063 | 0.7 | 28,177 |
| Income taxes | | | | | |
| Current | 48 | 0.0 | 136 | 0.1 | 454 |
| Deferred | 1,210 | 0.8 | 442 | 0.3 | 11,449 |
| Net income | 1,720 | 1.1 | 485 | 0.3 | 16,274 |
| Retained earnings brought forward from previous year | 759 | | 775 | | 7,181 |
| Reversal of provision for retirement benefits | 5 | | 145 | | 47 |
| Reversal of legal reserve | — | | 1,406 | | — |
| Accumulated losses added through the merger | — | | 27 | | — |
| Unappropriated retained earnings at end of the year | 2,485 | | 2,784 | | 23,512 |

Appropriation of Retained Earnings

| | 2004 | 2003 | 2004 |
|--|-------------------------------|------------------------------|--------------------------|
| | Thousands of yen | | Thousands of U.S.dollars |
| Unappropriated retained earnings, end of the year | 2,485,215 | 2,784,817 | 23,514 |
| Reversal of reserve for advanced depreciation of replaced assets | 497,267 | 39,697 | 4,705 |
| Total | 2,982,483 | 2,824,514 | 28,219 |
| The above amount of fund is to be appropriated as follows: | | | |
| Cash dividends | 883,278 (12 yen per share) | 654,093 (9 yen per share) | 8,357 |
| Directors' bonuses | 11,500 | 11,500 | 109 |
| Revenue for retirement benefits | 50,000 | — | 473 |
| Reserve for advanced depreciation of replaced assets | — | 99,397 | — |
| Special reserve | 1,100,000 | 1,300,000 | 10,408 |
| Unappropriated retained earnings carried forward | 937,704 | 759,523 | 8,872 |
| Retained earnings, end of the year | 2,982,483 | 2,824,514 | 28,219 |



Corporate Data

Corporate Data

Corporate Name: Sinanen Co., Ltd.
 Head Office: 1-4-22, Kaigan, Minato-ku, Tokyo
 Established: April 11, 1927
 Incorporated: April 25, 1934
 Common Stock: 15,630,132,192 yen
 Number of Employees: 438 (as of March 31, 2004)

Directors, Corporate Auditors and Executive Officers (as of June 24, 2004)

| | |
|---------------------------------------|-----------------|
| President and Chief Executive Officer | Teruo Hattori |
| Managing Director | Genji Nakamura |
| Managing Director | Takeo Yoshida |
| Managing Director | Hiroyuki Suzuki |
| Managing Director | Isao Akizuki |
| Director | Takao Nishiuchi |
| Director | Kiyoshi Kanno |
| Director | Mutsuo Sezaki |
| Director | Hiroshi Arai |
| Standing Corporate Auditor | Takao Nakazawa |
| Standing Corporate Auditor | Tadashi Maeda |
| Corporate Auditor | Tsutomu Shiozu |
| Executive Officer | Sachio Kanazaki |
| Executive Officer | Toshio Nakamura |
| Executive Officer | Kiyoshi Kaiseki |
| Executive Officer | Shiro Yamamoto |
| Executive Officer | Shiro Kurokawa |

Stock Information

Stock Information

| | |
|-----------------------------|-------------|
| Number of shares authorized | 237,603,000 |
| Number of shares issued | 75,752,958 |
| Number of shareholders | 6,687 |

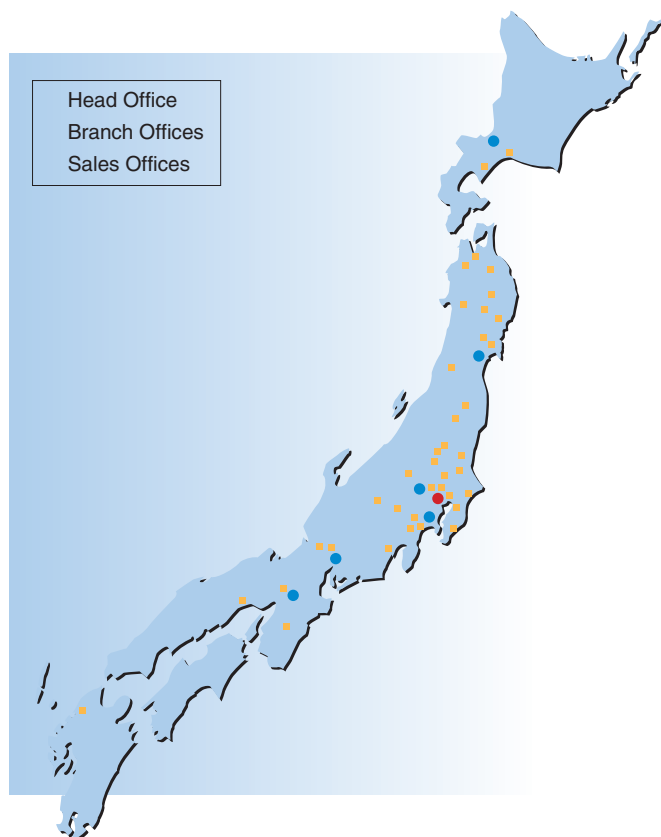
Major Shareholders

| Name | Number of shares held (thousands) | Ratio of voting rights (%) |
|---|-----------------------------------|----------------------------|
| Itochu Enex Co., Ltd. | 20,320 | 27.94 |
| Meiji Yasuda Life Insurance Company | 4,200 | 5.77 |
| COSMO OIL Co., Ltd. | 3,945 | 5.42 |
| The Sumitomo Trust & Banking Co., Ltd. | 2,627 | 3.61 |
| Idemitsu Kosan Co., Ltd. | 2,369 | 3.26 |
| Mizuho Corporate Bank, Ltd. | 2,286 | 3.14 |
| Customers' Stockholding | 2,155 | 2.96 |
| Sumitomo Mitsui Banking Corporation | 1,887 | 2.59 |
| The Master Trust Bank of Japan, Ltd. (Trust account) | 1,870 | 2.57 |
| Mizuho Trust & Banking Co., Ltd. | 1,544 | 2.12 |

Information for Shareholders

| | |
|--|---|
| Year End | March 31 (every year) |
| Dividend payment | Paid to shareholders on the shareholders list or beneficial shareholders list as of March 31. |
| Date of Shareholders' Meeting | Late June |
| Suspension Period for Stock Ownership Changes | From April 1 through April 30 Incidental suspension of ownership changes will be announced as the occasion demands. |
| Transfer Agent | Mizuho Trust & Banking Co., Ltd. 1-2-1, Yaesu, Chuo-ku, Tokyo |
| Administrative Office for the Above | Head Office Securities Agent Dept., Mizuho Trust & Banking Co., Ltd. 1-2-1, Yaesu, Chuo-ku, Tokyo |
| For Inquiries | Securities Agent Dept., Mizuho Trust & Banking Co., Ltd. 1-17-7, Saga, Koto-ku, Tokyo 135-8722 Tel: 0570-000324 (direct line) Tel: 03(3642)4004 (pilot number) |
| Agent Offices | Any branch in Japan of Mizuho Trust & Banking Co., Ltd. Head office and any branch in Japan of Mizuho Investors Securities Co., Ltd. |
| Public Announcement | Nihon Keizai Shimbun published in Tokyo |
| Internet Address for Balance Sheets and Statements of Income: | http://www.sinanen.com/ir/koukoku.html |

Sinanen's Network



Head Office

1-4-22, Kaigan, Minato-ku, Tokyo 105-8525

Tel: 03(5470)7100

Kansai Branch Office

3-6-14, Kamikuratsukuri, Hirano-ku, Osaka 547-0004

Tel: 06(6794)4711

Chubu Branch Office

5-100, Daisan Kubo Kensetsu Bldg., Toriimatsu-cho, Kasugai-shi, Aichi 486-0844

Tel: 0568(89)8261

Southern Metropolitan Tokyo Area Branch Office

3-37-1, Kamishirane, Asahi-ku, Yokohama, Kanagawa 241-0002

Tel: 045(955)2211

Northern Metropolitan Tokyo Area Branch Office

2-1-1, Hirosedai, Sayama-shi, Saitama 350-1328

Tel: 042(954)4304

Tohoku Branch Office

4-7-30, Ougimachi, Miyagino-ku, Sendai-shi, Miyagi 983-0034

Tel: 022(235)1010

Sapporo Branch Office

11-1-1, Hachiken-rokujonishi, Nishi-ku, Sapporo-shi, Hokkaido 063-0846

Tel: 011(611)3261



The website of the Company: <http://www.sinanen.com>

Announcement of Financial Results

Instead of a printed financial results report, our balance sheets and statements of income are available on our website:

<http://www.sinanen.com/ir/koukoku.html>

The Company's website also provides up-to-date information and brief notes regarding financial results, press releases, and the administrative procedures for stocks. Please visit our website.

SINANEN CO., Ltd.

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